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SUBJECT: TWO-YEAR COUNTDOWN TO THE VANCOUVER WINTER OLYMPICS

VANCOUVER 00000076 001.2 OF 003

11. Summary: This is the first of two cables assessing preparations as Vancouver passes the two-year mark in its countdown to the 2010 Winter Olympics. Organizers and officials are giddy with satisfaction over the preparations for the Games thus far. All major sporting venues are complete or will be completed by the end of 2008, an unprecedented milestone. The initial call for 25,000 volunteers resulted in 10,500 applications the first day alone. The Vancouver Olympics Committee (VANOC) finances appear healthy and sound, with construction almost complete and the sponsorship targets at 90 percent. Critics continue to hammer both VANOC and the city for misuse of public funds and lack of effort to incorporate more socially responsible activities into the program. As VANOC moves away from construction into operations more issues are surfacing regarding accommodations and staffing. Big questions remain on the shape of cross-border management of the tens of thousands of visitors expected for the event, which we will address in a separate cable. Overall VANOC and its public and private partners are well poised to bring about one of the most financially successful, environmentally friendly and socially responsible Olympics in history. End Summary.

Responsible, Sustainable and Profitable

12. With the competition venues substantially complete, VANOC is moving from a construction to an operations phase. The organization has reached 604 employees and achieved C\$ 709 million in domestic sponsor agreements with a final goal of C\$ 760 million in sponsorships. Financial statements for the second quarter show a cash balance of C\$ 56.5 million plus a hefty construction contingency in place. The major projects still underway include two training facilities and the two Olympic Villages, one in Whistler, the other under construction in the False Creek area of Vancouver.

13. Contributing to VANOC's rosy construction and financial picture is the fact that several Olympics-related construction projects, such as the new convention center, the Canada Line metro and the Sea-to-Sky highway between Vancouver and Whistler, are not VANOC projects. Provincial officials tell us that only one-third of one percent of the C\$148.1 billion in big construction projects ongoing in BC is Olympics-specific projects. They note that many of these big ticket projects were already in the planning stages prior to the Olympics' bid. The Olympics just provided the catalyst to get them moving forward. But it is these big, primarily publicly-funded projects that are the focus of much of the criticism. The convention center has already nearly doubled in price, from an original estimate of C\$ 496 million to C\$ 883.2 million. The Canada Line project has left a gaping trench on one of Vancouver's main north-south

thoroughfares and caused severe economic hardship, including closures, for many businesses located on this road.

14. The city and province are also receiving harsh criticism for funneling money into these projects and neglecting other issues, such as the lack of affordable housing in the Vancouver area. VANOC, the city and the province have mounted a massive publicity campaign to present themselves as the most socially-responsible Games ever seen. One way the city has addressed this is by including both Olympic Villages in a legacy plan to provide additional affordable housing. The Whistler Village is to be turned over to that city and made available as housing for the resort area's labor force. The Olympic Village in Vancouver has already been sold to a developer with 250 units guaranteed for low-income housing once the Games have ended. Rumors persist that as the Games approach, residents, especially low-income, will be forced out of their homes as landlords attempt to cash in on the Olympics' housing crunch. Social activists are blaming VANOC for not instituting programs to prevent people from being displaced. However, in its most recent sustainability report, VANOC strongly defended its record and stated that it is not responsible for fixing the city's social problems. The organization will focus on six areas that are under its control: accountability, social inclusion and responsibility, environmental stewardship, economic benefits, aboriginal participation and collaboration, and sport for sustainable living. Along with the sustainability report, VANOC announced measures to guarantee manufacturers of Olympics merchandise meet a code of conduct governing working conditions in the mostly Chinese factories. After the first round of audits just concluded, six factories were banned for failing to meet the standards.

15. As part of its sustainability commitment, VANOC has created an environmental plan for the Olympics, including a Carbon Management Strategy. It signed an agreement with BC Hydro to provide clean power and programs to ensure energy efficiency and conservation. By using hydroelectric power, VANOC touts it will

VANCOUVER 00000076 002.2 OF 003

have less than ten percent of the emissions of previous Winter Games.

16. VANOC is also working hard to be inclusive across the country, reaching out to provinces and First Nations to ensure the Games engage every Canadian. The organizing committee has signed MOUs with New Brunswick, Manitoba, Prince Edward Island, Newfoundland and Labrador, Quebec and the Northern Territories and is in negotiations with other provinces. The MOUs encompass language, sports development, culture, volunteerism, tourism and economic development. VANOC also recently concluded an Aboriginal Licensing and Merchandising Agreement with the Four Host First Nations that will allow aboriginal artists to use the Olympics symbols in their work. In addition, representatives of the First Nations sit on the Board of VANOC, giving them significant input into the planning. Closer to home, the city of Vancouver just announced a C\$ one million fund available for local communities to pay for events celebrating or promoting the Olympics.

Opportunities Abound but~.

17. There are still millions of dollars in opportunity for local and regional companies to cash in on the Games. Of the estimated 6000 contracts to be issued by VANOC for goods and services, only a little more than 600 have been signed thus far. Companies need to act fast, however, as the rate of issuance of new RFPs has increased dramatically in the past two months. Primary consideration is being given to Canadian companies. But with an event of this size, many firms are finding that they have the product or service but not the capacity to meet the demand. U.S. companies are gaining a foothold in the door by partnering with local companies to win contracts. The Foreign Commercial Service Office in Vancouver worked with a Washington

state supplier of portable toilets to win a large 2010 Olympics contract. The Washington state vendor had expertise gained during the Salt Lake Winter Games plus inventory but lacked local facilities or access to disposal dumps. The vendor identified smaller Canadian companies that had the local access but not the capacity. A consortium was formed and their bid won the contract. Regional organizations are also galvanizing support for the Games. The Pacific Northwest Economic Region (PNWER) e-mailed every National Olympics Committee (NOC) around the world with information about training facilities in the region for winter athletes. VANOC officials later told us they were surprised to hear that members of the French winter Olympics team were practicing in Washington. They did not realize the efforts being made next door to take advantage of the event.

18. Staffing is becoming a key issue for VANOC. Although initial response to calls for volunteers has been tremendous, organizers worry that 20-30 percent will drop out before the Games even begin. VANOC has reached out to the international community especially to attract volunteers with foreign language skills, particularly in the hard Asian and Slavic languages. A dilemma is building in the mountain resort town of Whistler as more and more locals take advantage of offers to rent homes/condos during the Games. With so many residents leaving during the Games, there are not enough people left to fill all the vacancies needed on the volunteer list.

19. Accommodations are also proving an opportunity and a problem. As mentioned above, Whistler residents are being offered tens of thousands of dollars for short-term rent of residences during the Games. Organizers always have maintained that housing would be a problem in Whistler, with the hotels already dedicated to the Olympics family leaving only private residences for everyone else. Early on a proposal was made to use cruise ships moored at Squamish to support the overflow, including any overflow from the Olympics family itself, but VANOC quickly determined it would not be necessary, at least for them. Cruise ships are still being discussed by tour operators and other entities to meet their Whistler housing needs. On the positive side, accommodations in Vancouver still appear to be plentiful. Studies conducted by Western Washington University indicate there will be enough hotel rooms in the greater Vancouver area to handle the demand, which is estimated to be less than a normal peak summer period.

10.Comment: The completion of competition venues on schedule and on budget has left VANOC in high spirits. But there are so many details to be worked out that nobody is resting yet. Preparations are entering a phase now where the pace begins to quicken and it is critical that all interested parties stay on top of the plans as they develop. VANOC will be ramping up its staff and we anticipate even more interactions on commercial, transport and border-management issues. CONGEN Vancouver is

VANCOUVER 00000076 003.2 OF 003

working to create the USG Olympics Liaison office and we hope to open by end of summer, with personnel starting to arrive as early as June. Dedicated personnel will go a long way toward helping us engage VANOC and city and provincial officials on the many issues of mutual concern to make this a truly successful regional and international event. End Comment.
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